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FDCH Political Transcripts

June 2, 2004 Wednesday

**TYPE:** NEWS CONFERENCE

**LENGTH:** 10712 words

**HEADLINE:** ADEL AL-JUBEIR HOLD A NEWS CONFERENCE ON A MAJOR DEVELOPMENT IN THE WAR ON TERRORISM

**SPEAKER:**

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**LOCATION:** WASHINGTON, D.C.

**BODY:**

U.S. AND SAUDI OFFICIALS HOLD A NEWS CONFERENCE ON A MAJOR DEVELOPMENT IN THE WAR ON TERRORISM

JUNE 2, 2004

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AL-JUBEIR: Good morning, everybody. I want to welcome all of you to the embassy of Saudi Arabia in Washington D.C.

Today, we join once again with the U.S. government in making designations of five branches under U.N. Security Council Resolution 1267.

I am joined by Assistant Secretary of State Anthony Wayne and Deputy Assistant Secretary of the Treasury Juan Zarate. We will each make a few minutes of brief comments, and then we would be happy to take your questions.

Just over a year ago, I stood at this podium to talk about the horrific Al Qaida attacks in Saudi Arabia. Saudi Arabia has suffered a number of terrorist attacks since. We have lost many of our citizens and our residents, and we have lost many of our heroic security officers. But we're determined to crush this evil from our midst and to remove it.

The actions of Al Qaida that we see in the kingdom have grown more desperate. They have gone from targeting hard targets and high-value targets to targeting the innocent. But as they grow more desperate, our resolve grows stronger, as does our determination. And we have no doubt, God willing, that we will prevail over this evil.

Our leaders are committed to fighting terrorism, regardless of how long it takes. The fight against terrorism, from the Saudi perspective, involves three elements.

The first one is to go after the terrorists. We have killed or captured their leaders. We have arrested hundreds of individuals. We have seized their arms. We have seized arms caches. We have arrested hundreds of them, and we will continue to do so.

Our security forces are getting better, they're getting stronger and they're making the ultimate sacrifice in terms of their lives in order to ensure the safety of our citizens and our residents.

The second area in the war on terrorism, from our perspective, is to go after the mindset that foments and justifies acts of terrorism. That is unacceptable. It is rejected by our faith. It is rejected by our values and by our traditions.

We have worked closely to educate our public. Our religious scholars have spoken out forcefully and continuously to present the true picture of Islam, which is a religion of peace and tolerance, and not one of violence and murder.

We have revitalized our education system, and we continue to do so. We are working with imams in our mosques to make sure that there is no place in our society for incitement and intolerance.

The third area in the war against terrorism is the one that we're talking about today, and that involves going after the finances. And Saudi Arabia has taken tremendous steps in this area. We have put in place new regulations and financial control mechanisms to ensure that people don't take advantage of our financial system or of our charities. We have audited our charities. We have reorganized our charitable work abroad, which brings me to the subject at hand today.

We are setting up one entity to be called the Saudi National Entity for Charitable Work Abroad. This entity will be the sole vehicle through which all private Saudi donations will go to help those in need. The existing entities that used to operate abroad, before we froze external charitable work a year ago, will be dissolved or will have their assets folded into this new entity.

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And we're talking about institutions like Al-Haramain Islamic Foundation, the Palestinian Funds, the Crossover Relief Fund, the Afghani Relief fund. All of those will be merged into this new entity, which will operate with total transparency.

It will be a nongovernmental entity. It will have a board of directors. It will have legal oversight, it will have financial oversight and it will operate based on clear policies and procedures.

And, for example, the entity cannot operate in countries without the expressed permission of the host government. They cannot deal with charities that are not recognized by the host government. They cannot distribute aid in cash. When it comes to financing projects, they have to do it in increments rather than in one lump sum.

The entity will have a board of directors composed of our most prominent citizens. They will have a requirement to provide an accounting every three months of the funds that are spent, and they will have a requirement to provide audited statements every year in terms of how much money was collected and how much money was spent and where was it spent.

We do this in order to ensure that the charity of our citizens goes to those who actually need it and that we know where funds go when they leave Saudi Arabia.

The charity is a part of our faith. And charity is noble. And we are very proud of the contributions that Saudi citizens have made over the years to the needy.

Unfortunately, the true story is often not told. Millions of people around the world have been fed because of Saudi charity. Tens of thousands of orphans have been taken care of because of Saudi charity. Refugees have been provided shelters from the ravages of war because of Saudi charities. Thousands of wells were drilled in arid areas of the world because of Saudi charities.

These are the stories that are not told about the charity of Saudi Arabia -- its citizens. And this is something that we take great pride in because it is a noble effort and we want to encourage it. The measures that we take or that we have taken are designed to make sure that charity goes to those that need it and that nobody can take advantage of the generosity of our citizens.

AL-JUBEIR: We have also made changes in terms of our broader financial system. We have put in place financial control mechanisms in our banks. We have implemented the Financial Action Task Force's 40 recommendations on money laundering and the eight recommendations on terror finance. We have had a mutual evaluation done by the FATF, which is external audit, and we have gotten very high marks for it.

And so the sum total of the actions that we've taken, including freezing of bank accounts, seizing of funds, designating individuals and entities, the sum total of it puts Saudi Arabia in a very, very small category of countries that have taken tremendous steps in this area.

And I doubt that you will find many countries in the world that have done as much as we have. Certainly, I doubt you'll find any country that has done more than we have. And this is something that we take pride in.

Our work is not done. It is ongoing. We are determined to crush this evil. We are determined to go after those who finance it or those who condone it or justify it in any way, shape or form. We're very determined.

A year ago, I stood before you after the horrific Riyadh attacks and I said to you: Don't just listen to our words, watch our actions.

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And I believe that any fair-minded individual who looks at the track record of Saudi Arabia, certainly over the past year, can say nothing but praise about the tremendous steps and actions that we have taken in this area.

We are determined to continue doing so. We are determined to continue ensuring the safety of our citizens and our residents. And we will work with countries in order to do so.

And what we are doing today with the United States in terms of the joint designations is another example of the close cooperation between the two countries. It is an example of the determination of both countries to rid the world of terrorism and to hold those who finance terrorism accountable.

I'll stop here and hand over the podium to Mr. Zarate.

Juan?

ZARATE: Thank you, Adel, for having me here today.

I'm pleased to announce that once again the United States and Saudi Arabia have joined forces to identify and choke off additional channels of terrorist financing.

Today, the U.S. and Saudi Arabia are designating five additional branches of the Saudi-based charity Al-Haramain, located in Afghanistan, Albania, Bangladesh, Ethiopia and the Netherlands. We will be jointly submitting these names to the United Nations 1267 Committee for listing by the United Nations.

In so doing, we are calling on the U.N. and the international community to designate these groups, as well, which will bring to bear the full weight of the international community and require the freezing of any accounts or transactions, now or in the future.

This is another important joint step with the Saudi government, steps that began in March 2002, to designate known supporters of terrorism.

The United States is also announcing today the destination of Al-Haramain's former leader, Aqil Abdulaziz Al-Aqil, and we'll be submitting his name to the United Nations for designation as well.

ZARATE: These entities and this individual have provided financial, material and logistical support the Al Qaida network, Osama bin Laden or the Taliban, fueling and facilitating their efforts to carry out vile attacks against innocent individuals in the civilized world.

The terrorist attacks this past weekend in the kingdom demonstrate again that we are engaged in a global battle against terrorism, a battle that affects Saudi Arabia directly on a daily basis.

As we have seen over the course of Al Qaida's history, it terrorizes and kills victims around the world of every race, creed and color.

These terrorists and their sympathizers have abused charities, not only as a means of raising funds, but also to provide logistical support and cover for terrorist operations.

That is precisely the case with the branches and activities of Al-Haramain we have designated. It was under the cloak of charity that Aqil Al-Aqil used the Al-Haramain organization to benefit himself and Al Qaida to support Al-Qaida-related groups like Al-Ittihad, Al Islamia and Al-Qaida-trained fighters.

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Mr. Aqil has attempted to evade Saudi controls on his finances. And we have worked very closely with the Saudi government to ensure that he can no longer wield control over Al-Haramain and its resources.

The use of charities for terrorist financing, as you all know, is not a new phenomenon, nor do we think that it will stop today with these actions. That is why we are pleased that the Saudi government has taken even more aggressive structural and regulatory steps to deal with the abuse of charities within the kingdom.

With the announcement of the Saudi National Commission for Relief and Charity Work, the Saudi government is signaling again its long-term commitment to reform in this sector.

We will certainly continue to work with our international partners and the charitable community to protect this particular sector from terrorists who mock the very notion of charity and use it to fuel their hate-filled agendas.

The Bush administration is committed to rooting out terrorism, root and branch, through all possible means.

Our world-wide effort to attack the financial infrastructure of terror has made it more difficult for Al Qaida and other terrorist groups to underwrite terror and has forced them to resort to less-secure methods to move dollars.

With today's action, 374 individuals and entities have been designated under President Bush's executive order aimed at freezing terrorist-related assets.

Nearly \$140 million in terrorist-related assets have been frozen as a result of the efforts by the United States and its allies.

Though our struggle against terrorism is certainly not over, actions like today's can foil the short-term goals of terrorists while thwarting their long-term ambitions, leading to the ultimate dismantling of terrorist networks.

Continued collective efforts by Saudi Arabia and our international allies, like today's, will lead to further successes in the financial war on terror.

We will not tire in these efforts. We will continue to cut off channels of financing. We will ostracize those who support or facilitate terrorism. We will continue to capture or kill operatives and facilitators. And we will bring to justice those who seek to do us harm.

The civilized world has rallied against terrorism. And we remain resolute in our efforts.

ZARATE: Thank you.

WAYNE: Thank you. I thought I might add a little bit of perspective to today's actions.

First, the actions against the branches of Al-Haramain and the leader of Al-Haramain Foundation are part of a long-term effort.

Just to recall, in March of 2002, we jointly designated the Bosnian and Somali branches of this organization. In December of 2003, we designated the Bosnian branch, which had renamed itself under a new name and continued to operate.

In January of this year, we designated the Indonesian, Pakistani, Tanzanian and Kenyan branches of this organization.

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Now, of course, this is all part of a much larger effort to fight the financing of terrorism. Our objectives include changing people's behavior, making it more difficult for the terrorists to get hold of funds that they need operate and that they need to sustain and increase their ranks.

By designating these names and taking other steps, we're creating an environment where people are likely to think twice before they send funds to questionable institutions, organizations and individuals because they understand there's a price to be paid. And they understand that some of these institutions and channels have been misused and abused.

This year alone, we have made a number of other designations around the world.

And just a brief reminder, in January, we designated and submitted to the United States and they designated the key spokesman for Al Qaida.

In February, a key supporter of Al Qaida from the Middle East was designated by the United Nations.

In March, Italy submitted 10 names of an organization related to Al Qaida that had been operating in that country.

In April, Germany submitted four names from a group tied to Al Qaida that had been involved in the kidnapping of terrorists in Algeria.

In May of this year, the United States submitted to the U.N. three Bosnian-based charities which had also been linked to Al Qaida and abused.

And today, of course, as was just mentioned, we are submitting to the United Nations the names of these branches of the Al-Haramain Foundation and the name of the former leader of the foundation.

We are working on other public actions like this. And you will see additional designations in the months ahead.

I think that, all in all, it is clear that we have made it, through these efforts and through many nonpublic efforts, a lot harder to raise and move funds around through regular banking channels.

At the same time, there are other vulnerable areas that we're working on. Today, we mentioned charities. But in addition, there's the challenge of cash couriers, people that carry money across borders. There's the challenge of cash transfer services, known in the Middle East as hawalas.

All of these are challenges that we and our international partners need to take on. Different countries have taken different approaches.

And in doing this, we're developing a set of best practices and good practical partnerships around the world to deal with these challenges.

WAYNE: Indeed, today's charity commission announcement with Saudi Arabia is going to mark a clear step in the direction of increasing accountability and transparency in an area which, unfortunately, has been abused, where many well-intentioned people thought they were doing good things with their money.

But we aren't just working with the government of Saudi Arabia. We're talking to the government of Russia, the government of Turkey, governments in South Asia, governments in Latin



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America, and in Europe, to increase our opportunities to identify new practical steps to take on the financing of terrorism.

We're working very closely, for example, with the European Union and their new counterterrorism coordinator to come up with a number of steps that we can put into practice this year to make our mutual cooperation more effective in cutting off the flow of funds to terrorism.

As was mentioned earlier, the Financial Action Task Force has played a vital role multilaterally in helping set standards and raise practical standards and legislation in place to new levels. The Philippines, Indonesia and Nigerian have been among those countries that have upgraded their legislation and their practices, as Saudi Arabia has recently, to reflect the FATF standards.

And the mandate of the Financial Action Task Force has just been reviewed, reflecting its very successful efforts to fight money laundering and to take on terrorist financing.

Another part of this that I just want to emphasize is the practical training and effort that goes on at building the capacity of countries around the world, so regulators around the world, so officials around the world can benefit from the lessons learned elsewhere.

Certainly, we have worked closely with many Saudi officials, but this is going on in many key countries, and we're working with our G-8 partners to this end.

There's much progress that we still need to make in cutting off the flow of funds to terrorism, and we need to assure that we continue to aggressively pursue all the kinds of steps and actions that we've mentioned today. It's an ongoing effort, it's a tough effort, but we're committed to keep at it and to work with our partners and to build that partnership and make it more concrete in the weeks and months ahead.

Thank you.

QUESTION: Could you talk a little bit about the money involved, not only with the designations, how much monies you believe that you're freezing, but also how much Saudi money is believed to go to charity worldwide that might be dissolved into this new entity?

And also, do you have any estimate of how much money has been suspected of being bankrolled toward terrorism?

AL-JUBEIR: I'll start with the latter one first, I think.

It doesn't take very much to finance terrorism. The 9/11 terror attack cost under \$500,000.

AL-JUBEIR: The Riyadh bombings in May of last year we estimate cost \$50,000. So we're not talking large sums. And so I believe most of the charities tend to -- the money actually goes to charitable work. It's a very small amount that may have been diverted, may have been abused, may have been taken advantage of.

So the funds are very small.

With regards to the total amount of Saudi charity, our citizens have been very generous. And it varies, depending on if there's a crisis or not.

For example, if there's an earthquake somewhere, our public would be mobilized and will donate a lot of money and that money goes to the victims of that earthquake.



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On an annual basis, I'm reluctant to give you an estimate because I don't really have a figure on it. I'm sure the numbers exist somewhere. But I wouldn't be surprised if we're talking \$100 million a year maybe. Sometimes it doubles or triples, depending on whether there's a crisis or not, but that's what we expect.

With regard to the new entity, all of the existing entities that provide relief, for instance to Afghanistan, to Bosnia, to Kosovo, to the Palestinians, to Bangladesh, to African countries, all of those programs will be folded into the new entity, and it will be responsible for doing so, so that we have one set of criteria in terms of how aid is distributed and how it's accounted for.

And also we have much better control then over how those funds are spent and where. And it also reassures our donors that their money is being put to good use.

QUESTION: Since there have been previous designations on some branches of this charity, you knew the organization was infected with this. Why didn't you shut down more branches to begin with, back when the ones in Africa were shut down or even back as far as the Bosnian...

AL-JUBEIR: Is this directed to me or to all of us?

QUESTION: Well, yes.

AL-JUBEIR: Well, you have to be careful, because we're dealing with a charity and we don't want to damage the ability of people to help others.

Two, we're dealing with counterterrorism. And when you're dealing with counterterrorism, the burden of proof is fairly high, and we have to have evidence of wrongdoing. And then when we have that evidence, we take action, as we have over the past two years in conjunction with the U.S. and in some cases by ourselves.

Accumulating the evidence takes time. In some cases, it's hearsay and it's not solid. In other cases, it's solid. Where it's solid, we take action. Where it's not solid, we don't take action. We can't just (inaudible) an entity because of hearsay.

There is an Al-Haramain organization in the United States. It's an American entity. It operates under American laws. And yet, there is a process to try to deal with it, but it hasn't reached the point yet where the U.S. government can take action against it.

So it's not a Saudi issue of delaying. It's a global issue. And I could have my colleagues speak to the issue of the U.S. But the point I want to make is that you have to have evidence. And when you have evidence, you take action. And that's what we've done.

With regard to many of the branches of the Al-Haramain that we found outside Saudi Arabia, a number of them were former branches because Al-Haramain closed or indicated that it closed its foreign offices. They said they had 10. But then we find offices popping up.

AL-JUBEIR: The head office is not sending money to them because we froze all transfers from Saudi charities abroad. We find situations where an office that has been closed is re-incorporated and reopened by people using the same name. And we can't take action against the head entity if we don't have proof that it is responsible for the operation of those offices.

What we've done with the new entity -- the national commission that's being set up -- is to basically make sure that there's only one vehicle through which all Saudi charitable contributions are

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brought -- private Saudi charitable contributions are brought -- flow in order to make sure that there's no confusion by any government around the world as to who's legitimate and who's not.

And so, I believe from the point that this new commission assumes its responsibilities, any offices of Saudi charities or that claim to be officers of Saudi charities or affiliates of Saudi charities are not. We have made it clear to governments around the world that whoever operates in your territory is subject to your jurisdiction and your laws. And you are free to take whatever actions you think necessary based on the evidence that you have.

Do you want to..?

ZARATE: Yes.

Let me just reiterate that we take very seriously any action against charities precisely because we hold sacrosanct the role that charities play, especially in crisis regions around the world.

So any action that we take, we take methodically, we take after having sufficient information.

And in the context of Al-Haramain, part of this effort -- and it's been an ongoing effort with the Saudis -- has been to continue to monitor the activity of Mr. Aqil as well as those working on behalf of Al-Haramain in many of these branches.

So part of this has been an ongoing effort to monitor the activities.

With respect to the U.S. branch, earlier this year, there was a search warrant executed against the Oregon branch of Al-Haramain. The Office of Foreign Assets Control, which is a part of the Treasury Department, issued a blocking in aid of investigation, meaning the assets were blocked. And we are moving toward our ultimate designation of that branch.

QUESTION: Could you remind us, please, of what does designation involve besides transfer of funds -- funds can't be transferred? And if you have the goods on these, especially this former head, are you moving against him in a legal way? You trying to do anything about it? Any punitive actions planned or the groups?

WAYNE: Well, in general, under the U.N. 1267 resolution, which is aimed at Taliban and Al Qaida and their supporters, when you designate an entity or an individual, all countries around the world are obligated to identify and freeze any funds associated with that entity or individual and to ban their travel, to not let them come in and out of your country.

Now, of course, that takes a lot of challenges. You have to know if they're using, sometimes, false documents.

But it's a very powerful message.

WAYNE: And it sends a very powerful public message, not only to banks, but to customs officials, to others, to be on the watch for this. It makes it a lot harder for operatives of that group or the individual to move things internationally.

People are very intelligent, of course. So they find other ways of doing it. But it's a very powerful, positive signal.

Now, I'll let...

Juan, if you wanted to say something about Mr. Aqil.

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ZARATE: No, just to reiterate what Tony said: The designations are in essence a blocking out of the formal financial system. You're not only capturing the funds that may exist in the formal financial system today, but you're permanently barring, in essence, those entities or those individuals from doing business in the formal financial system.

That's precisely why setting up the laws, the systems, the regulatory measures, around the world, the efforts that Tony mentioned, are so important. Because if those measures are not in place, the designations aren't as effective as possible.

We have seen, in the past, to let you know, that there have been attempted transactions on the part of designated parties that have been stopped as a result of the designations. And that's precisely how it should work, and we're hoping it will work in this case.

QUESTION: And any legal actions...

ZARATE: We are working very closely with the Saudi government, looking at the activity of Mr. Aqil. I'll allow Adel to speak for the Saudi government on actions they are undertaking, but that is currently an activity under way.

AL-JUBEIR: Approximately a year ago, Saudi Arabia issued directives to the banks not to transfer any funds from Saudi charities to any accounts outside Saudi Arabia.

We also issued new rules and regulations that prohibit charities from collecting cash or withdrawing cash from bank accounts. We required charities to have -- they can have several accounts to collect donations at various banks, but they can only have one master account from which they can withdraw funds, and then other procedures like how many people sign on the checks and so forth.

We also asked Al-Haramain to shut down all of its offices outside of Saudi Arabia, which they agreed to do. And we were still getting reports in the summer that some of these offices were operating. We started an investigation of Al-Haramain in September of last year and of its director. The director, as a consequence of this investigation was removed from his position, as were other personnel.

The organization then -- we set up a board of directors for this organization in order for the organization to deal with issues that may come up that involve it. We appointed external auditors to audit the books of this organization going back approximately 10 years, as well as looking at any of their branch offices to see if there is any wrongdoing.

Earlier this year, we took action against the director of the organization in order to make sure that no assets can be moved and so forth. He continues to be under investigation. And it is for that reason that we didn't do the joint designation of him with the U.S., because we believe that this would prejudice the outcome of our investigation. And so we're looking into it, and when the investigation is complete, we will take the appropriate steps.

QUESTION: I just want to be clear: You say now that Al-Haramain, you've shut it down already, yet they are still operating. How...

(CROSSTALK)

AL-JUBEIR: No, what I said is Al-Haramain over the past year could not send money outside of Saudi Arabia. No Saudi charity could. So they're in the kingdom. What we are doing is dissolv-

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ing the entities that operate outside Saudi Arabia or folding their assets into the new entity, which will then be solely responsible for private charitable work abroad.

QUESTION: How are you able to have any confidence that you are able to really shut them down if it sounds like you keep talking about them popping up in different areas. You talk about shutting them down here and blocking them from there. And yet they still seem to be operating all over the place.

AL-JUBEIR: Yes, but the popping up of offices we found has very little to do with the head office. It's not somebody sitting in Riyadh saying, "They closed down this office. Let's reopen it." Most of the individuals who operate in those offices, in fact, I would venture probably all of them, are non-Saudi citizens. They operate in jurisdictions over which we have no control.

For example, in Bosnia, we had to designate the offices three times. The second and third time that they popped up we believe has nothing to do with Al-Haramain in Saudi Arabia.

It was individuals there who changed the name and reincorporated. And then we had to go in and take action to redesignate them.

So I don't want people to be confused with -- if an office pops up that has the name Al-Haramain or claims to be a part of Al-Haramain, that it in fact is a part of Al-Haramain, Saudi Arabia

And the reason we're taking these steps with the U.S. government is to make it very clear that we -- if governments are not willing to deal with this issue, we go to the United Nations. And as a consequence those governments will be obliged to deal with this issue.

QUESTION: The point is, though, that if the whole objective of what you're announcing today is to say it all funneled through one organization, yet it seems like you're saying that you really don't have control over this money going outside the country to whatever organization under whatever name that, what difference is it going to make...

AL-ZUBEIR: Yes, but -- I don't want to get into an argument here, but I didn't say we didn't have control over monies. This entity will have control over funds. The offices that were designated have not received money from Saudi Arabia over the past year. They can't. There is no way for any Saudi charity to transfer money outside Saudi Arabia.

If somebody in Bosnia, or Albania or Bangladesh or other places decides to set up an entity and name it al-Haramain, frankly, that's not our problem.

If somebody in Saudi Arabia decides to do that, then, yes. But that's not what we've seen.

QUESTION: Sir, do you have any thoughts about the raid last week at the World Assembly of Muslim Youth offices here in Northern Virginia? Are they suspected of -- are they on the road to designation? Or are they just a YMCA for Muslims?

AL-JUBEIR: I think I should let one of my colleagues answer this question, because this is a domestic American issue and it's an action that the U.S. government took. So...

ZARATE: I think it's best not to comment on ongoing investigations of that nature.

We have said before that the World Assembly of Muslim Youth, the IRO, other such charities, need to be scrutinized. Their activities around the world need to be investigated. That's something as well that we've been discussing with the Saudi government.

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I just returned from a visit to Saudi Arabia where that issue, among others, was raised. And it's an issue that we consistently raise.

But on the specific issue, it's not appropriate to comment at this point.

QUESTION: Adel, in light of the weekend attack, can you give any idea how many Al Qaida cells you think might be operating in your country? And what assurances can you give foreigners and indeed the oil industry that they might be safe from attacks?

AL-JUBEIR: I think we are doing everything we can to ensure the safety and security of our citizens and our residents.

AL-JUBEIR: We have beefed up security all across the country over the past year. What we notice is that the terrorists are going after soft targets. The attacks tend to be more randomly directed. I don't mean random as in they see an office building, they go in, they shoot up the place.

It is obvious that they're trying to target the oil industry and they're trying to scare people, in particular, foreigners into the leaving the country. They believe that if this happens, the Saudi economy will collapse, and then the Saudi government will be ripe for the plucking.

The problem with that logic is it's wrong. The oil industry is not going to be affected by this. The oil installations are very, very secure. They have been for 60 years. The ability of people to penetrate the installations is extremely difficult. The Saudi oil industry is managed and run and operated by Saudis. Less than 10 percent of Aramco's employees are non-Saudi.

And so I think if the idea is to -- the logic of the terrorists, as I outlined it, is flawed. Our public is angry and demands action. I believe that the terrorists recognize that they have absolutely no public standing. And as a consequence, they're targeting the innocents. And I believe that they're desperate.

Do I think the problem is over? Far from it. We still have a way to go. We still have -- we still should expect more attempts by them to sow havoc and fear in people's lives. But there should be no doubt about our determination to go after them and to bring them to justice. And God willing, we will succeed.

And as far as the safety of people in Saudi Arabia, I think we are doing everything we can to ensure that the safety of citizens and residents. I can't -- anytime somebody is injured or wounded or killed, it is a terrible tragedy. But we will do whatever we need to do in order to protect people in our country.

Let me take one... OK.

QUESTION: Juan and Adel, would you take this opportunity to rebut Senator Kerry's recent remarks that have been critical of Saudi Arabia on terrorism and the administration having not done enough in working with Saudi Arabia? Would you take an opportunity, since he has been making these remarks, to counter that, please?

AL-JUBEIR: Boy, I would -- let me say I'm reluctant to criticize an American politician. Having said that, I'm not reluctant to speak about the facts and the truth. And the fact of the matter is Saudi Arabia has taken tremendous steps in the war against terrorism, whether it's in going after the terrorists, their finances or their mindset.

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The fact of the matter is, a lot of the charges that are bandied about with regards to Saudi Arabia, that we're lax when it comes to finances, that we are promoting intolerance, that we're spreading a message of hatred around the world are really not true. They're not borne out by the facts.

And Ronald Reagan used to say, "Facts are stubborn things."

We have captured or killed more Al Qaida leaders than, I think, any country in the world. We have revamped our financial system to ensure that we minimize the ability of people to take advantage of it. We have regulated our charities and audited them. We have put in place mechanisms to make sure that nobody can take advantage of our financial system. We have been -- the steps that we have taken have been attested to by the international community. We are probably -- Saudi Arabia and the United States are the two countries that are working most closely together.

AL-JUBEIR: And all somebody needs to do to find out what is being done is to ask for a briefing. I'm sure that American politicians can ask for a briefing and get that briefing. It is unfortunate that in an election year people try to use Saudi Arabia as a political football. The problem is, the logic doesn't hold, because the facts are there.

ZARATE: Let me just say, it's not appropriate for me to comment on what people in the election cycle are saying. My job and our job, collectively, is to dismantle terrorist financing. It's been an undertaking that we've been working on, it seems like day and night, since 9/11. And it's a job that we take very seriously.

The suggestion that we have not been strong or demanding of our partners around the world, I think lacks accuracy. We have demanded much of our allies, the Saudis included. I have personally been to Saudi Arabia four times. The White House has led missions there over six times. The ambassador, the State Department, is fully engaged.

We demand much of our partners. And we demand much of the Saudis. And I would just say that those who doubt our commitment to that very fact have not been watching the actions over the past year, because the actions are significant, both in terms of the short-term actions of the Saudi government and the long-term structural changes under way.

And this is something that we're committed to. It's a long-term engagement, as noted by the people we have on the ground working on these very issues on a daily basis. And I would dare say that we're working very hard at this.

QUESTION: Juan, since at least a year ago, a very prominent Saudi businessman named Adel Batterjee has been identified in Justice Department indictment as a participant in a racketeering conspiracy in aid of violent activity by Al Qaida. He's in Saudi Arabia, as I understand it, and he's not on any lists. I'm wondering -- this is the kind of thing that gives people I think a doubt about whether this effort extends to prominent people in Saudi Arabia. I'm wondering if you and Adel can address that.

ZARATE: Let me assuage any concerns about lack of willingness to go after individuals who are supporting terrorism from Saudi Arabia. We have designated individuals like Yassan al-Kadi and Mr. Gellidin (ph) who are prominent Saudi individuals, the latter doing so jointly with the Saudi government.

We are not shy in taking action against those who are supporting terrorist groups. There are public and nonpublic ways of dealing with issues. There are also issues, as I mentioned before, with respect to garnering as much information as possible, to be able to not only justify the actions



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to the international community, any actions proposed, but also to defend those actions against any challenges that may come forward.

I will tell you that we work very closely with the Saudi government on suspicions that arise. And we work with them to garner as much information as possible, not only with respect to entities, but with respect to individuals who may be supporting Al Qaida.

QUESTION: Follow-up on that, is a question as to the size of the commitment in the financial tracking by the U.S. government, when you have, for example, four agents looking at bin Laden's network and you have 20 agents looking at U.S. citizens spending \$50 in Cuba.

ZARATE: Those numbers are wrong, first of all. You're referring to numbers alleged with respect to the number of analysts devoted to these issues at the Office of Foreign Assets Control, which is within the Treasury Department.

Currently 40 percent of their resources are committed to terrorist financing, looking at Al Qaida and other Al Qaida-related groups. In the submission to Congress, we set that forth very clearly. OFAC is the prime administrator of economic sanctions for the U.S. government, so they not only deal with terrorist financing, but they deal with all of the country sanctions, including now the Syrian sanctions, totaling 28 sanctions programs.

So we have a very important balance with respect to the use of their resources, because they have to look and tend to the sanctions against Cuba and Syria and Iran and formerly Iraq, while also doing work on terrorist financing and drug trafficking.

But to suggest that we are not committing resources to this issue, I think is a false assumption and not based in fact.

The other point to recall here is that OFAC is just one of many parts, not only of Treasury, but of the U.S. government, that is dealing with this issue. We have agents from the IRS and the FBI and other law enforcement agencies looking at this issue. We have analysts from the intelligence community at large dealing with this issue. We have diplomats around the world sending out our message and demanding action from our foreign counterparts.

So that allegation is not only not based in fact, but it tends to distort the commitment of this administration to this issue.

QUESTION: (OFF-MIKE) details about what exactly Al-Haramain branches in the Netherlands, Albania, Afghanistan, Bangladesh and Ethiopia are doing, in terms of helping finance terrorism, what their connections are to Al Qaida and whether they do have any connections to the Al-Haramain office in Saudi Arabia? I mean, if there's no connection at all or there are connections?

ZARATE: These branches did have connections to the main branch, the main headquarters, in Saudi Arabia. What we found is that these branches or people associated with these branches, claiming to be part of these branches, continued to operate and continued to attempt to do work on behalf of Al-Haramain.

As our Fact Sheet which should have been distributed indicates, the different branches were engaged in different activities. As we indicated in the last designation, these branches generally have been used in certain instances to funnel money, to operatives, for example, in Ethiopia, to funnel



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money to Al-Ittihad, Al-Islamiyah; in certain instances, to move operatives, to move actual people. And it is varied, depending on the branches.

One of the concerns, for example, with the Netherlands branch is that it appeared that Mr. Aqil still had some ability to affect the actions under way in the Netherlands. And that's why we're taking specific action against that branch.

But I think the significant announcement today on the part of the Saudis should not be lost. The fact that they're folding all of their charities into one centralized charitable organization is a major step forward, and we're looking forward to seeing the implementation of that.

QUESTION: On that point, on the national commission, the status quo, as I understand it, from Adel, that Saudi charities cannot give money abroad at all. This is in effect a loosening. I mean, it's a creation of a new entity which will control that, but presumably we're actually going to see Saudi funds again be flowing abroad, will we not?

AL-JUBEIR: And what's wrong with that?

QUESTION: I didn't say anything was. It's just...

AL-JUBEIR: You will see -- hopefully, you will see Saudi charitable funds flowing around the world. Hopefully you will see a lot of it. Hopefully millions of people will be fed who otherwise would go hungry. Tens of thousands of refugees can be provided shelter.

Hopefully, wells can continue to be drilled in areas that have no water. Hopefully food programs can continue. Absolutely. Absolutely. Charity is part of our faith. Helping others in need is a noble enterprise.

America prides itself on the charity of its citizens.

AL-JUBEIR: So do we.

What we are saying is that there has to be a way to provide charity, which is noble and good and a requirement of our faith, in a manner that assures that those who need it will receive it. Stopping charitable work is not an option.

Are we going to stand by and watch millions of people starve, or go hungry, or go cold, or die of disease, or die because they can't have access to clean water? Of course not.

As human beings, our sense of humanity, our sense as Muslims, demands that we help out. Where we see wrongdoing, we will punish them, as we have. Where we saw laxness in the system, we're fixing it.

But the objective -- the notion that any Saudi charity is tainted or goes to kill people is outrageous and we reject it.

QUESTION: Mr. Al-Jubeir, you talked about terrorism a little while ago in your country. And it's already had an impact on the world oil markets. And in this country, as you know, there is great concern about the price of gasoline. I wonder what you could tell us about the policy of your country with respect to oil production and how that perhaps might bring the cost of oil and gas down?

AL-JUBEIR: We are determined and we are committed to providing enough supply to satisfy demand for crude oil. And we have -- we are doing so. Our oil production has been increased to

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over nine million barrels. We have signaled to our customers that if they need additional barrels, we will make them available.

We are working with other OPEC countries to increase the quotas for OPEC and production by OPEC countries. I believe it will happen tomorrow at the OPEC meeting in Beirut where the quota may be increased by about 2.5 million barrels.

We will do whatever we can to make sure that there is no shortage of crude oil.

Having said that, when we look at the supply and demand situation, we believe that supply/demand of crude oil, as a consequence of Saudi Arabia's increase in production is at equilibrium. We don't believe the price at this level should exceed \$30, which basically means \$28 or so for the OPEC basket of crude oils, which is within the range that we would like to see the price of crude oil.

We are the largest oil producer in the world. We will be producing oil for many, many years. We have no interest in making oil a non-competitive source of energy. Our interest in making sure that oil, or crude oil, remains competitive so that future demand growth will occur, so that we can continue to produce it and sell it. If prices go too high, customers are hurt, economic growth slows, demand for crude oil slows, the world economy is damaged. And we are a part of the world economy, so we sustain damage.

AL-JUBEIR: If the price is too low, the reverse happens. Producers are hurt. Consumers end up engaging in wasteful consumption. Demand skyrockets, and we set ourselves up for another shortage.

So there has to be a moderate price that is good -- that doesn't hurt consumers and doesn't hurt producers. We believe that range is in the \$22 to \$28 dollar range. And we've been working to maintain it at that level.

Our policy over the last 30 years has been to ensure adequate supply of crude oil at moderate prices. That's what we're doing.

Now, we look at the current situation and we see the price of crude oil in excess of \$40 a barrel. We can produce more oil, and we have, to make sure that there are no shortages. But there are other factors driving the market.

One of them is concerns about instability or the geo-politics of oil. People are concerned about the situation in Iraq. People are concerned about the situation in Saudi Arabia. People are concerned about the situation other places. And they put a premium on the price of crude oil.

We also see -- as a consequence, we also see hedge funds taking long positions in crude oil. Or they began to take long positions early this year, which also puts upward pressure on the price of crude oil. That's a second factor.

A third factor is a shortage in refining capacity in the United States. An increase in demand for gasoline and products which increases the price at the gas pump and in turn pulls up the price of crude oil. There's your third factor.

The fourth factor is growth in demand in particular in China, India and other places around the world.

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We can deal with the fourth factor by producing more oil and we have. But the other three factors are really a function of psychology.

We believe that the price of oil will turn downwards as people begin to recognize that the oil facilities in Saudi Arabia are safe and secure; and as people begin to recognize that there is plenty of crude oil around the world; and as people begin to recognize that Saudi Arabia and the other OPEC countries are determined to bring about moderate oil prices.

So it may take a little bit of time, but we believe it will trend downwards.

QUESTION: What you're saying is increased production won't necessarily drive down oil prices, at least not right away.

AL-JUBEIR: That's correct. From an economic perspective it should because we believe that the supply/demand situation is in balance. If anything, they may be a slight supply overhang because inventories are building. There is no reason why the price of oil should be at \$40 as we speak, absolutely no reason, other than the other factors I pointed out, the psychology, the fears and the speculation.

And I believe that when people realize that the oil facilities are safe and secure; that the OPEC countries are determined to do whatever it takes to bring down the price of oil, that the price will begin to trend downwards.

QUESTION: Would you reduce your planned output increase if the Bush administration decided to tap into the Strategic Petroleum Reserve?

AL-JUBEIR: We are increasing our -- this is a decision that the U.S. would have to do. We are determined...

QUESTION: What would be your response if they do that?

AL-JUBEIR: I can't answer the question now because we have -- we're seeing \$42 oil. It's clearly too high. It's clearly not acceptable. And we're determined to do whatever we can, with the other OPEC countries, to bring it down.

And so the -- your question, in a way, is a little bit hypothetical. If we see a drop in prices to the range that we believe is the appropriate range and which we've publicly talked about, then we can take a look at production increases or decreases, as necessary.

AL-JUBEIR: But at this time, the objective is to make sure that prices come down.

QUESTION: Mr. Al-Jubeir, can we go back to today's announcement? Can you give us an estimate of the amount of the assets of Al-Haramain Islamic Foundation that will be forwarded into this new entity? You've been tracking them so carefully, presumably you know what their assets are and therefore what will flow into the new entity.

And then, secondly, can you give us any sense of an estimate of how much Saudi funding, charity funding, you expect, over time, to get funneled into this new entity? Is it likely to be of the \$100 million a year range that you talked about earlier?

AL-JUBEIR: I can just guesstimate, because Al-Haramain's assets, for example, in Saudi Arabia involve land, they involve headquarters buildings, they involve -- Al-Haramain used to raise money in Saudi Arabia, continues to raise money in Saudi Arabia. At its height, I believe it was raising between \$40 million and \$50 million a year. Now, it's substantially less.

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As we go through their assets, we attach a value to it. And then we shift the assets. And I wouldn't want to give you a guesstimate, because I would more likely than not be far off, and I don't want to overestimate or underestimate.

With regard to the new entity, my personal guesstimate is that we'll probably be looking at something on the order of about \$100 million a year, which I believe would be reasonable, given the history. That number may spike from time to time if there is a crisis, because the Saudi people have always been very generous to those who have gone through -- if there's famine, if there's starvation, if there's an earthquake, you could very quickly mobilize people in the kingdom to raise large amounts of money,.

So I would estimate about \$100 million a year, which could spike if there are crises.

QUESTION: Crown Prince Abdullah after the Yanbu attack said that the Zionist elements were behind the attacks inside the kingdom. And U.S. Ambassador Oberwetter asked for a clarification with Prince Saud. He was told that the Saudis had evidence that radical Zionist elements were financing or may be financing some London-based dissidents who he believed are fomenting the attacks. Can you share with us what radical Zionist elements the crown prince and Prince Saud were referring to?

And I'd also like to ask the gentleman from the State Department to tell us what the United States government makes of these comments by the Saudi leadership?

AL-JUBEIR: Well, it (inaudible) in expanding the comments, the individuals in the U.S. who have been very critical of Saudi Arabia, who have called Saudi Arabia the axis of evil or the kernel of evil, who have called for the dismemberment of Saudi Arabia, who have been in touch with Saudis in order to foment problems in Saudi Arabia, who have called for regime change in Saudi Arabia, who have called for the dismemberment of Saudi Arabia, that objective is not much different from Osama bin Laden's objective.

And so the idea or the point made was that those who take that position share the same objective as bin Laden. And I'll leave it at that.

Do you want to comment on it?

WAYNE: Well, only to say that whoever is responsible for the terrorist attacks, we want to go after seriously, thoroughly, track them down, because we oppose terrorism around the world, whoever is carrying it out.

We do distinguish between legitimate dissent and support for terrorism. And there is that clear distinction between that. But we are committed to tracking down terrorists, to bringing them to justice, to taking public and private actions against them to stop their activities.

QUESTION: Well, who are these elements who you're referring to, who are trying to foment instability within the kingdom -- elements in the United States? Who are you talking about?

AL-JUBEIR: I think you know who I'm talking about. It's been reported in a number of magazines. The individuals have been on television, saying so. And they've written in American publications. And as a journalist and a good investigative journalist, I'm sure you can find them.

(CROSSTALK)

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QUESTION: Just to clarify something, are you saying that it's illegal for any Saudi citizen to send money to charities abroad now? And if they do, is that a punishable offense, if you find that they're sending? Is it just that they send money abroad, is that a punishable offense? Or is it if you find that they're giving to...

AL-JUBEIR: No, what we're saying is that Saudi charities cannot send money abroad, that all Saudi charitable activity, private, will be through this one entity. You cannot raise money in Saudi Arabia as a charity and send it out except through this new national commission.

Individuals, of course, they can do whatever they want. But it's easier to track an individual, because you have bank accounts and transfers and information.

But the ability of a charity or a committee to raise money in Saudi Arabia from our public, that they can't do if that money is for a cause outside Saudi Arabia, except through this new entity.

QUESTION: Aren't you concerned now that you've stopped these charities from raising money, that individuals that want to give to nefarious organizations are going to do so privately, to organizations abroad, since there are none that they can find in Saudi Arabia?

AL-JUBEIR: Well, here we go again. Every Saudi who gives money, gives money to terrorism. I mean -- you're right, you're right. Yes.

QUESTION: (OFF-MIKE) Will they still be able to give?

AL-JUBEIR: Yes. Yes, they can. No, they can. And we have ways of tracking transfers. We have ways of tracking or intelligence sharing with other countries. And if there are people engaged in suspicious activities, we will have to take action against them. But that applies to every country in the world, including the United States.

QUESTION: How does this commission work? Is it affecting all Saudi charities that are in the kingdom or outside the kingdom? Or is it just inside the kingdom?

AL-JUBEIR: We have about 245 domestic charities -- I could be off by a few, up or down. The charities that operate in Saudi Arabia usually operate in specific jurisdictions, in specific cities or towns or what have you.

AL-JUBEIR: Those will continue as is, because they raise money in a region and they spend it in a region. And we haven't found any wrongdoing or anything suspicious about those activities.

There are a number of Saudi charities or committees or funds that raise money in Saudi Arabia in order to support causes abroad. For example, the Committee to Support the Palestinians, the Committee to Support the Afghans, the Committee to Support the Bosnians, the Committee for Relief in Kosovo. These are sometimes set up for a specific cause, or they tend to be entities that are more permanent, like Al-Haramain Islamic Foundation.

The new entity that is being set up will be the sole vehicle for private Saudi contributions that are raised in Saudi Arabia. For example, the Al-Haramain organization will be dissolved, its assets shifted to this entity. The other committees that I mentioned will be folded, their assets, into this new entity.

If there is a Saudi charity that has programs abroad as well as programs domestically, their international operations will be folded into this new entity.

Am I clear?

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QUESTION: So the Riyadh office of Al-Haramain will basically be dissolved.

AL-JUBEIR: Yes.

QUESTION: And then this new organization, anyone wanting to place contributions will have to go through this new organization.

AL-JUBEIR: Yes. Let me...

QUESTION: You said that these are going to be audited, this commission and all the charities are going to be audited.

AL-JUBEIR: Yes.

QUESTION: Are you going to make that public, those statements, including how much of that money goes overseas and exactly where it goes? And also retroactively, you did say also that you've audited all of your charities.

AL-JUBEIR: Yes.

QUESTION: Retroactively, are you -- in the interest of showing that the Saudi government isn't behind any support of financing terrorism, are you going to make those ones from the prior years public as well, so people can see where the money went?

AL-JUBEIR: I will have to come back to you, but that's a good question.

With regards to the new entity, the board of directors of the entity would have to make a decision about making it public or not. Certainly the regulators who oversee charities in Saudi Arabia will have access to the audited statements.

I would imagine, but I can't speak for them, that as an entity that wants to reassure donors, that they would make those audits public. So I wouldn't be surprised.

But that's not a decision for me to make. It's really something that their board will have to make.

QUESTION: But if the government of Saudi Arabia is that concerned about showing the world that it's sincere about this, I mean, you can tell the commission to make...

AL-JUBEIR: I believe it will happen. But like I said, they have a board of directors. The board of directors has to vote on the bylaws. We gave -- they have the draft of bylaws and procedures and how to operate and it may need some fine tuning. But I agree with you, if the decision were mine, I would say yes. They should be public audits.

QUESTION: (inaudible) impact Saudi Arabia are being funded? And do you believe any of the funding for the attacks -- recent attacks have come through any of these charities?

AL-JUBEIR: Like I said, the raids that our security forces have made on terrorists in various parts of Saudi Arabia have resulted in capturing or seizing not only arms and explosives, but also in many cases, cash. And so they -- I don't believe that they go someplace and somebody cuts them a check.

We know that they're involved in some smuggling operations. We know that they are involved in -- or used to be involved in -- collecting money from public places like mosques disguised as a charity. And we prohibited that -- you cannot collect cash at Saudi mosques or in Saudi public



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places -- in order to make sure that people don't take advantage of somebody walking out of the mosque and putting money in a box thinking it's going to go to charity.

In terms of who is funding them, we have captured a number of people who are funding or who we suspect were funding. We continue to look at linkages between people in order to try to dry up the funding of it.

But at the end of the day, it's not something that's very expensive, as I mentioned. The Riyadh bombing a year ago we estimate cost about \$50,000 and that was a serious operation that involved three targets.

What we're more concerned about is the recruitment and the smuggling of weapons and the uncovering of cells because that goes to the heart of the matter. I think we'll...

QUESTION: (inaudible) include charities that fund or support families of Palestinian militants? There's all talk here that ends up in the families of suicide bombers in Palestine.

AL-JUBEIR: The funds that go to the Palestinians go to the Palestinians through the Palestinian Authority or through the Red Crescent Society or through the U.N. High Commission for Refugees.

AL-JUBEIR: We have heard the charge of Saudi funding for Hamas, but it hasn't stood the test of time or evidence. We have asked to see that evidence, and we haven't received it. So I think this charge is overblown.

Do we support the Palestinian people? Yes, we do. Does America support the Palestinian people? Yes, it does.

What kind of support do we provide? We sent blankets. We sent food packages. We sent medicine. We sent ambulances. Sometimes our aid gets to the Palestinians, sometimes it doesn't. We try to send the Palestinians a number of ambulances, but the Israeli government would not let them in.

So we do provide assistance to the Palestinians, yes.

My question to you -- in response to your question, yes, the committee that is raising money for the Palestinians now and sending it to the Palestinians will be folded into this new entity. There will only be one entity that deals with this.

QUESTION: (OFF-MIKE) will be fully...

AL-JUBEIR: OK, I'll try to be as clear as possible. Every entity, whether a committee, whether a task force or whether a charity, that operates outside Saudi Arabia, or that used to because we stopped them a year ago, will be folded into this new national commission. It will be the only vehicle through which monies that are raised from our public will be channeled abroad.

Am I clear?

QUESTION: Has the embassy found a new bank to replace Riggs Bank yet?

AL-JUBEIR: Yes, we are working with a number of banks.

QUESTION: There was an article in the Arab news about Saudis in the United States not able to cash their checks because of...

AL-JUBEIR: I believe we fixed that problem. But you may want to ask one of my colleagues who work at the embassy.



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(CROSSTALK)

QUESTION: (OFF-MIKE)

AL-JUBEIR: I have no idea. You should ask one of my two American colleagues because they are subject to your jurisdiction and your oversight, and we have no way of monitoring what people do in other countries.

Last question.

QUESTION: You spoke about this national commission, and you said it's going to be a nongovernmental board. And it's going to be composed of your most prominent citizens. Who is going to select these citizens?

AL-JUBEIR: Well, initially, they will be nominated I think by the government. And then you would assume, as with any organization, as their terms expire that the board will vote to select new members, or will invite new members to join and replace them. But the initial setup of it, they will be selected.

OK, thank you, everyone.

END

**NOTES:**

[????] - Indicates Speaker Unknown

[--] - Indicates could not make out what was being said.[off mike] - Indicates could not make out what was being said.

**PERSON:** ABDULLAH BIN ABDUL AZIZ (73%); ABDULLAH BIN ABDUL AZIZ (73%);

**LOAD-DATE:** June 3, 2004